

Audit's[®] NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

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FACEOFF BETWEEN BANKS AND BONDHOLDERS GROWING IN INTENSITY, ESCALATING RISKS

Bank lenders and REIT bondholders are continuing to square off over who gets what from the wreckage of about two dozen deeply troubled construction lending trusts. The faceoff is moving from the privacy of boardrooms to the pages of national financial journals, as witness recent articles in both The Wall Street Journal and Business Week.

Our mail and phone calls indicate all this is leaving many REIT bondholders either confused or fighting mad. Actually, so many generalizations are being thrown around so indiscriminately that it's time for a hard look at various segments of the REIT industry and the outlook for each.

First, while the bold headlines in financial press make it appear that all REITs are headed for bankruptcy in a hurry, the truth is that only six to 12 REITs are really candidates for bankruptcy proceedings, largely because of their complex capital structures. And some of these will follow National Mortgage Fund's strategy of negotiating a thorough debt restructuring before filing with a bankruptcy court so they can be in and out of court in a matter of weeks or months. This is the bankruptcy equivalent of a quickie divorce.

Two trusts have already filed Chapter XI and been discharged after their arrangements with creditors were approved: Associated Mortgage and National Mortgage. Three others -- Continental Mortgage, Fidelity Mortgage and Great American M&I -- are currently in bankruptcy actions. These three have \$1.08 billion total debts, mostly to banks, and \$180 million negative shareholders' equity.

Any new filings most likely will come from among the 17 trusts with negative net worth; this group owes about \$2.5 billion and has \$234 million negative net worth. And it excludes four large trusts -- Builders Inv. Group, Chase Manhattan M&R, First Newport (formerly Alison Mtg.) and LMI Investors -- whose negative net worth has been

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GROUP RATES ON REQUEST

restored by massive restructuring. All but four have public subordinated debt, which is in default or delinquent for 10 trusts. Those 17 negative net worth trusts:

Amer. Fletcher Mtg. #	*Cit. & So. Realty	Independence Mtg. #
*Barnett Mtg. Trust	*Colwell Mtg. Trust	*Justice Mtg. Inv.
*Barnett-Winston Inv.	*Dominion Mtg. & Rlty.	*NJB Prime Inv.
BT Mortgage Inv.	First Mtg. (Pfd. at par)	*State Mutual Inv.
C.I. Mortgage Group #	*Guardian Mtg. Inv.	TMC Mtg. Inv. #
*Citizens Mtg. Inv.	IDS Realty Trust	

* Subordinated debt in default or delinquent. # No public subordinated debt.

Second, bankruptcy isn't necessarily the end of the line for either a REIT or its bondholders. Fear of hasty liquidation, conjuring up images of properties being sold under the hammer at auction, has been a major deterrent to bankruptcy filings by REITs. Only one REIT -- Continental Mortgage -- has been ordered into liquidation by a bankruptcy court and that order is stayed by a complex court fight over the issue of whether banks so controlled CMI's affairs that they were, in effect, the equity owners of the trust. So the liquidation fear fades as it becomes clear that no responsible bankruptcy court would order a hasty dumping of assets.

Third, the spate of news articles suggests banks have lost their fear of REIT bankruptcies. This is true: banks now openly acknowledge they have suggested the pre-arranged quickie filing route to some REITs, only to be rebuffed by REIT managements.

Fourth, in resisting bankruptcy, REIT managers are buying time through several interim steps. Bankruptcy is an "ultimate" solution to REIT troubles -- i.e., a court enforces a settlement upon all members of the creditor classes affected.

Three main types of interim solutions have been used to date by troubled REITs: swaps of assets for cancellation of debt; cash tender offers for debt at small fractions of face amount; and exchange offers of a new security for an old one. All have the common element of asking some group of creditors to give up something so the trust can gain time to rebuild earning power of its properties.

Disputes over whether concessions are falling evenly on all creditor groups are the heart of the faceoff between senior bank creditors and subordinated note and debenture holders. And the sequence in which various groups are asked to make concessions is fast becoming an issue.

For the impression is growing that REIT managers are making it appear they are on their financial deathbeds when they ask subordinated debt holders to take huge losses by tendering their bonds at 20% to 40% of par. The five tenders completed to date have been reasonably successful, letting the trust book major gains on retiring debt at a discount. In each case after the tender is completed, banks have stepped up and made their concessions in the form of asset swaps (which involve a book loss to the bank), letting the trust report more gains on assets swaps and, in some cases, restoring negative book value back to a healthy positive number again.

Most striking performance has come from First Newport Realty Investors (formerly Alison Mortgage), which leaped from \$35 million negative book value to about \$10 million positive value through just such a combination, plus interest forgiveness by banks. Chase Manhattan Mtg. is midway through a similar transformation, as is LMI Investors.

But such dramatic recoveries leave a lingering feeling in the minds of exiting banks and bondholders that had they stayed, they might have benefitted from the restructuring. And when bondholders see many millions of dollars of extraordinary gains flowing from swapping assets with banks, there's often the suspicion they are

being squeezed out to benefit banks (i.e., they have lost 60%-80% of their principal while senior lenders have lost only 10%-20%). So it's a situation readymade for conflict and finger-pointing.

Banks point out the chicken-and-egg character of all these gains: as senior creditors they want the option to jump last in these situations, and they won't take loan losses via asset swaps unless public debtholders yield on interest and/or principal first. Thus the big risks still ride with REIT public bondholders.

Caught in this power play, REIT bondholders are understandably taking a tougher stance with REIT managers, trustees, bond indenture trustees and banks. And their power becomes multiplied when a trust clears out weak holders via a tender or exchange offer. Justice Mortgage Inv. completed a moderately successful tender offer at 33% of face value for its 7-3/4% senior subordinated notes, with about 45% of holders accepting the tender. But trustees reaffirmed their refusal to pay interest that had been due Feb. 1, 1977, and this aroused three major holders who controlled over 25% of the remaining \$9.6 million bonds. Early in May they accelerated the debt maturity and the trust is now in serious discussion with this ad hoc bondholders' committee.

So far no other bondholder group has accelerated maturity of subordinated debt formally but committees or groups of holders are in various stages of activity in Colwell Mtg. Trust, Dominion Mtg. & Realty, and Barnett-Winston Inv. Others may be in discussion but since there's no need for these groups to identify themselves publicly, there's no real way to know precisely how many more such efforts are going on.

All this means that some currently pending restructurings may run into stiffer and more skeptical questioning by bondholders. Three restructurings are in planning: Chase Manhattan Mtg. & Realty has filed a proposed exchange offer with the S.E.C. but won't comment on terms until regulators clear it for public distribution. The trust earlier said it would propose exchanging a new subordinated convertible debenture maturing 1997. Interest, conversion and other terms are to be set later. The exchange offer likely won't be made until July, a month later than expected.

Citizens Mortgage Inv. Trust sweetened its proposed cash tender from \$300 to \$400 per \$1,000 face amount of its 8½% senior subordinated debentures due 1980. But the percentage of acceptance was increased from 70% to 80% of holders, and a simultaneous swap of \$49 million net assets won't take place unless 80% acceptance is reached. This requires Citizens to scale new heights since the highest acceptance of any deep discount tender offer to date has been 77.5% by NJB Prime Investors by holding the tender open for nearly two years.

State Mutual Investors plans tendering, via its sponsor, for a minimum 85% of its 9% senior subordinated notes due 1980 and up to 90% of its 6-3 4% convertibles. The sponsoring life insurance company would pay 72½% and 50% of par respectively. The 85% hurdle for the 9s is even steeper than Citizens Mortgage's goal and since tender specialists say it's almost impossible to reach 10% of holders of any given issue, there's serious doubt this goal can be reached quickly, if at all.

Experience with these either in-or-out tenders contrasts with the reception accorded the REIT industry's one completed exchange offer. First Virginia Mtg. in mid-May got 74.6% of its \$20 million variable rate (8-12%) notes to exchange for a new 4% note. Both securities are due 1980. Thus about three-fourths of holders were willing to accept the same 4% rate banks were to receive under a new credit agreement. The clear lesson seems to be that holders will go along with restructuring efforts if they can stay in a troubled situation without feeling they are being squeezed out of the picture.

Several pointers for present bondholders emerge from all this:

--Insist that trusts spell out in detail the potential follow-on extraordinary gains they could reap from exchanging assets with their banks, even if those asset exchanges are totally contingent upon a successful cash tender. If bondholders are going to be asked to underwrite the welfare of shareholders, they should be told the full extent of their munificence at the outset.

--Start forming a bondholder committee if at all possible. A few trust managements are swinging to the view that operating bondholder committees can help avoid confrontations between various creditor groups and one ad hoc bondholder group may become a party to bank-REIT discussions, if disclosure requirements can be worked out. Such committees are not easy to start, are difficult to fund at best, and require skilled legal counsel.

--Impress upon indenture trustees they have a fiduciary duty to act as "prudent men" once an act of default occurs, mainly when interest remains unpaid for 30 days. The legal doctrine of a prudent man requires a fiduciary to take whatever steps a prudent man would take to protect his capital. To date most indenture trustees have acted as independent stakes' holders with no real duty in REIT-bondholder confrontations except to act as conduits for messages between the two groups. But this too may change and indenture trustees may become more involved in confrontations.

--Above all, be wary of generalizations. Many faceoffs between competing creditor classes in troubled trusts turn on fine legal and accounting points. Get professional advice when in doubt and don't base decisions on newspaper headlines. REALTY TRUST REVIEW has and will continue to analyze tender and exchange offers for you. Other sources are also available. The bondholder, whether senior or junior, has a special legal position and should not surrender this lightly.

Should you be a new buyer of REIT bonds now? Pricing of most NYSE-listed bonds appears to be quite realistic and even optimistic in some instances. That's because investors can buy listed bonds on 50% margin, facilitating the flow of sophisticated money into these issues. The hitch is that if the exchange suspends an issue for any reason, full payment must be posted immediately or the bonds will be sold at market.

Thus it's difficult to find a listed bond which can be said to be underpriced without running the suspension risk. Because we're asked about some key bonds of larger trusts quite frequently, we include a brief rundown on how the issue strikes us now:

Chase Manhattan Mtg. 7-7/8s of 1978 at about 88 have one of the highest yields to maturity (about 20%) and recent restructuring success means the trust likely will have to come up with more than 80¢ per \$1 on maturity at worst, and may even have to sell assets to pay full principal. Extension request is possible. Risk of suspension is rated low.

Continental Illinois Realty 7-5/8s of 1979 (about 81) has an even higher yield and suspension risk is low, given signing of a new one-year credit agreement. Management has no firm plans to handle maturity in about two years; our best guess is an exchange for a new piece of paper extending maturity five or more years; banks aren't likely to let CIR pay this issue while they still have nearly \$200 million invested in the trust.

Gulf Mortgage & Realty 7.7s of 1980 (about 75½, ASE) look a bit overpriced to us. Suspension risk is low, however, and yield to maturity generous.

Institutional Investors 7-7/8s of 1980 (about 70) are attractive because the trust has low leverage and bank debt. But operating losses persist, eroding shareholders' equity which is the basic cushion behind the bonds. Suspension is a slight possibility.

Midland Mortgage 8s of 1980 (about 63½) faces a ticklish problem June 30, when its fiscal year ends and the trust must maintain \$3 million positive net worth. Interest on a smaller 7% convertible issue is due the next day, July 1, and there's

possibility of some delay. Operations are still negative cash flow, forcing trust to swap assets to repay debt and generate cash. Taken together, suspension risk is high here and we'd not be active in the issue now.

NEW PLAN REALTY TRUST (10½--OTC--NPLNS) FY July 31

REAL ESTATE INVESTMENTS: Holdings of \$19 million were virtually all owned properties save for one mortgage taken back on a sold office building and a few other small mortgages. Breakdown of assets, based on cost, was 71% shopping centers and retail, 14% residential, 6% cash, 4% industrial, 2% mortgages, 2% office, research and 1% land for development. The 14 operating properties are on the Eastern seaboard except a Chicago industrial building. They are further clustered in the northern half: New York State, New Jersey, Pennsylvania and Delaware making for managerial monitoring efficiency. Few portfolio changes took place the last few years. A few small, written-down properties were sold. The only purchases were a \$1 million, 70,000 sf shopping center in Canton, N.Y. and the fee position underlying the leasehold of the Lake Park apartments in Florida, both during fiscal 1976. Managerial efforts have thus been concentrated on upgrading properties internally in the absence of external expansion. Additionally, time and effort for difficult problem workouts have not been required. For example, when a clothier occupying 15,000 sf at its Roosevelt Mall in Philadelphia went out, the trust partitioned the space into three stores for which it now receives over three times the base rent as formerly. Not that management claims exceptional abilities in this regard, it believes upgrading rests primarily with the nature of the property itself.

Most of the portfolio's value and cash flow come from the shopping centers. The most important single property is 248,000 sf Roosevelt Mall which did well even when the adjoining department store, owned by New Plan, was empty. The store is now occupied by Wanamaker which has helped pack the center with overflow traffic. The next biggest is Rodney Village Shopping Center, Dover, Del., 220,000 sf of which 93,000 former Grant space is still vacant. This is the trust's only significant vacancy. A lease with one of the top national retailers has been in negotiation for some time. At a higher rental than Grant was paying, this retailer is talking of a February, 1978 opening. If and when this lease is signed, and interest exists from others if this one falls through, it would mean \$200,000 more annually, over 10¢/share, to the trust. Even without benefit of an anchor, the center is still doing well. When a new major signs, the trust will also upgrade this strip by enclosing a sidewalk. Other shopping centers are one on 18 acres in Middletown, N.J. with an initial investment of \$2.5 million and two smaller ones in upstate New York. Since writing off and disposing of its problems two years ago, the only property approaching problem status is an office building in lower Manhattan. Holding the mortgage, most of which is reserved for, the owner is current on interest and taxes and the building is currently covering expenses and debt service.

LOSS AND DEPRECIATION RESERVES: Of mortgages of only \$1.8 million, the trust has reserved \$1.4 million which should prove adequate. Property is depreciated \$6.8 million, equal to \$4.04/share on the shares now outstanding.

FINANCING: As the conversion rate for debentures decreases, significant conversion into shares took place in the May quarter. Giving effect to conversions through June 1, 1977, the January 31 debt was reduced to \$16.3 million and equity increased to \$6.8 million, a 2.4 to 1 ratio. No cash changed hands of course but the stated equity is much larger. This places the trust in a better position to obtain bank loans should it need funds and gives greater credibility with the financial community. Shares outstanding were raised to 1.69 million. There is no current need for funds as property prices look too high. When the need does arise, management feels there is ample room to refinance existing mortgages as cash flow on some older properties

has risen sharply.

MANAGEMENT: The trust is self administered. Trustees own over 31% of the shares having added to their straight equity position by recent debenture conversions.

RESULTS & OUTLOOK: Second quarter, January, earnings increased to 25¢/share from the previous quarter's 17¢. Net cash flow was about 1¢ higher. There was also a 6¢ gain from property sale. The main reason for the improvement was an 8% jump, \$106,000, in rental income from new leases and escalations. These were derived from the existing body of properties where over recent years tenancy has been upgraded and occupancy improved. As seasonal income and expenses are adjusted, the 25¢ quarterly earning rate should be a floor for the rest of the fiscal year. Given the decent retail climate generally and exceptional strength at some New Plan centers in particular, Roosevelt Mall is said to be exuberant, profits and cash flow will likely trend upward. Leasing of the former Grant space should take place by next fiscal year and alone add 10% to earnings. With the shares priced little over 10 times annualized earnings and yielding 9%, decent considering quality, they are fairly priced to buy for current income and some long-term growth.

VAGABOND REAL ESTATE EQUITIES (18 bid-OTC-VREES)
VAGABOND INVESTMENT PROPERTIES (18½ bid-OTC-VGBNS)

Background & proposed merger: These two trusts with similar names are expected to propose merging later this year, likely in August or September. The merged entity would be a trust with about \$7.4 million shareholders' equity, \$7.3 million invested assets, no debt, and about 500,000 public shares trading. The tentative new name is Real Estate Investment Properties, selected to end confusion with Vagabond Hotels, Inc., which leases properties from the two trusts. While these two trusts aren't currently reviewed by REALTY TRUST REVIEW because of limited trading markets, the merger should create a larger trust we think investors will find of uncommon interest.

Real estate investments: The two trusts own in fee and without debt six motor hotels with 645 rooms in California and Nevada. All are operated by Vagabond Hotels, Inc. under long-term leases, with restaurant facilities being sub-leased by Vagabond to Colony Kitchens, Inc. All leases provide for minimum guaranteed annual rentals against percentage rentals based upon gross room, restaurant and bar sales. Each of the motor hotels was developed and built for the trusts by Vagabond Hotels under fixed price construction contracts and purchased at this direct cost of construction. The leases to Vagabond Hotels run 25 years with two five-year renewal options. All lease payments to the trusts are net of property taxes, insurance, operating expenses and maintenance, so the trusts are not directly involved in hotel operation.

The six motor hotels are: Stockton, Cal., 102 rooms; Modesto, Cal., 100 rooms; and Woodland Hills, Cal., 100 rooms, all owned by Properties for a total 302 rooms; and Rosemead, Cal., 102 rooms; Sacramento, Cal., 109 rooms; and Reno, Nev., 132 rooms, all owned by Equities for a total 343 rooms. The holdings of Properties were built in 1973 and those of Equities in 1974 and 1975.

Vagabond Hotels provides a wealth of operating statistics to the trust, which are reported routinely to shareholders so performance of each motor hotel can be measured precisely. Here's a comparison of latest results for the six units:

	-----Owned by Properties-----			-----Owned by Equities-----		
	Stockton	Modesto	Woodland Hls.	Rosemead	Sacramento	Reno
Occupancy 3/77 qtr.....	62%	70%	92%	89%	74%	65%
Change from year ago...	+4%	+8%	+6%	+4%	+13%	-2%
Average room rate.....	\$18.08	\$17.10	\$20.19	\$21.40	\$19.01	\$21.32
% Chng. in room sales..	+7%	+17%	+17%	+15%	+34%	+13%

The Reno and Sacramento units both benefitted from sharply higher average room rates in the March 1977 quarter, average rates shown above being up 12% and 19% respectively. The Woodland Hills and Rosemead average rates were both up 10% from the previous year, while average rates at Modesto and Stockton were up 6% and 1% respectively. Food and bar sales have been generally weak in Reno and Rosemead, and a new subtenant is being sought for the Reno restaurant. The Sacramento food operation was remodeled and opened in May 1977.

Vagabond Hotels, Inc., the key lessee, operates 51 motor hotels with 4,439 rooms. It earned \$909,000 in 1976 on \$18.8 million revenues. Colony Kitchens operates or controls 88 restaurant facilities.

Financing: All properties are owned free and clear without mortgage debt. The shareholders of each trust must approve any borrowings, even for secured mortgage debt. No authorization to borrow has ever been sought.

Shares of both Properties and Equities were initially sold at a price of \$20, adjusted for subsequent 50-for-1 splits in March and April 1976. Properties shares were sold in the summer of 1972 and Equities shares a year later, both being underwritten by Bateman Eichler, Hill Richards Inc. of Los Angeles.

Management: Both trusts are managed on a part-time basis by their president John F. Rothman. Rothman helped form both trusts when he was with Bateman Eichler and became president and sole employee when he left in 1974; he is also an officer of an unrelated motor hotel chain. Total management, administrative, legal and accounting expenses were 0.6% of shareholder investment for Equities and 1.0% of investment for Properties in the latest fiscal years.

Recent results & outlook: Properties earned \$1.74/sh. in its December 1976 fiscal year, up 12% from the prior year and the fourth consecutive annual earnings gain. Dividends paid rose to \$1.95 from \$1.80, of which 21¢ was tax-free return of capital. Earnings of 42¢/sh. in the March 1977 quarter were up 50% from the year ago but a new trust policy of accruing estimated overage income accounted for all the gain; previously the trust had adjusted for such overages at the end of each year. A 50¢ dividend, or a \$2.00 annual rate, was continued.

Equities earned \$1.39/sh. in its June 1976 fiscal year and paid \$1.78 dividends. This trust also adopted the policy of accruing for estimated overage income and March quarter earnings rose 18%, with the estimated overages accounting for all the gain. Dividends continue at 46¢ quarterly, or \$1.84 annual rate. Book value before depreciation is \$16.17/sh. for Equities and \$17.03 for Properties.

With overage income providing significant growth potential in earnings and dividends for both trusts as motor hotels mature, shares become more attractive. Current dividends provide about a 10.8% yield for Properties and 10.2% for Equities on current prices, above-average yields reflecting the competitive risks in motels and lack of recognition by investors. The proposed merger should help remedy this lack of visibility and improve marketability of shares (the \$3 spread between bid and asked prices means that investors should place orders with care, using limit orders). The proposed merger will not be on a straight share-for-share basis but will involve a small premium to one trust, based on forthcoming appraisals. Thus we're not able to say which trust is "better" at this time. Income oriented investors may find either issue comfortable for generous income without exposure to high leverage or management expenses.

HENRY S. MILLER REALTY TRUST (9--OTC--HSMTS) FY Feb. 28

REAL ESTATE INVESTMENTS: Investments of \$28.2 million were 73% deliberately acquired properties, 17% mortgage loans and 10% foreclosed properties. The heart of deliberately acquired property, \$20.8 million, are 14 neighborhood shopping centers,

58% of gross portfolio value. Most of these centers are in the Dallas-Fort Worth, Texas metropolitan area. Anchored by supermarkets, drug stores and junior department stores, only four are over 100,000 sf with the group having 1.2 million sf shopping space. The centers are fairly well occupied except for the 210,000 sf Ridgewood center in Garland, Texas which is 75% leased. They are still looking for a supermarket to anchor this center and are hopeful of getting one presently in the area. Nevertheless, this center is still providing healthy cash flow and is unmortgaged. The trust's centers are in mature neighborhoods and have been in operation for 10-20 years. They provide about an 11% return on relatively modest base rents averaging about \$3/sf. This is about half the rent at which comparable new product requires but no real new centers of this type are coming into these already established areas. Their underlying stability and strength were shown in fiscal 1977, February, when base rents increased 15% from the year before and overage rentals climbed 25%. About 20% of leases are up for renewal annually, roughly the pattern for local centers containing a few larger retailers.

By value, the rest of acquired properties consists of 18% in four small office buildings with 138,000 sf and 5% in four small warehouses with 85,000 sf. The two office buildings in Oklahoma City remain about 80% and 62% leased and the one in Texas is fully leased. A Texas medical office is 86% leased. The warehouses are in Dallas and are fully leased.

The remaining holdings are mostly in land. Most of mortgage loans still held, worked down over 50% in the last two years, are earning, however. The \$1.1 million in loans to one borrower were non-earning at yearend but should go back to accrual. This debt is being rearranged with additional collateral which should service debt out of cash flow. Seven properties are still held in foreclosure for \$2.7 million, the same dollar amount as the start of the year. There are no immediate prospects for disposition of foreclosures but an option was granted on one property and interest shown in several tracts. But management is optimistic because the land market has turned. Since all the tracts are in urban Texas locations, it would seem to be just a matter of reasonable time.

LOSS AND DEPRECIATION RESERVES: The loss provision stood at \$910,000. This equalled 12.3% of mortgage loans plus foreclosures, slightly above the 11.9% average for construction lenders generally. Depreciation of the equity portion was \$1.6 million on Feb. 28, equal to \$2.93/share.

FINANCING: Total debt of \$19 million is 2.0 times \$9.4 million equity. This is a conservative ratio as 68% of debt is secured mortgages. In turn, the properties are mortgaged at only 62% of depreciated value. However, some of the mortgage loans have recourse to the trust. The short-term bank debt was worked down \$3.5 million during the year to \$6.1 million. Carrying interest at 1% over the prime rate plus 10% compensating balance, the agreement expired June 1. A new credit line was worked out with at least as favorable terms. Financing through property refinancing is about the only feasible way to provide for new portfolio growth presently. Management is trying to refinance some centers. Repayment of short-term debt through foreclosure sales and mortgage loan repayment would place the trust in position for new bank financing for expansion.

RESULTS & OUTLOOK: The fourth quarter, February, saw profits fall to 2¢/share from 18¢ in the November quarter. There was a disparate increase in the loss reserve provision, however, in the fourth quarter, 69¢ vs. 5¢. This was largely offset by a favorable rent settlement equal to 54¢/share. This boils down to operating earnings staying in the 16-18¢ range of the November quarter. It appears this profit level and the 15¢ quarterly should be maintained for the next few quarters. Operating results should improve at the shopping centers from overages and lease renewals. Movement of problem properties would be a plus. Depreciation was running at 19¢ quarterly but since mortgage amortization is higher, there is no meaningful net cash flow number. Nevertheless, gross cash flow, earnings plus depreciation before amortization, implies higher valuation for the shares than earnings alone. The shares have speculative recovery potential nearly 50% below depreciated book value plus almost another third as much in depreciation allowance. And a modest, speculative yield of over 6% is provided currently.